

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

STATUTORY REVIEW OF THE SYSTEM
FOR REGULATING RATES AND CLASSES
FOR MARKET DOMINANT PRODUCTS

Docket No. RM2017-3

NOTICE OF SUPPLEMENTAL INFORMATION
(October 3, 2017)

In the comments that the Postal Service filed in this proceeding on March 20, 2017, it included various estimates of annual post-retirement benefits payments that have a material bearing on the Postal Service's financial stability.¹ On August 10, the Postal Service filed a notice of the actual retiree health benefits (RHB) and Civil Service Retirement System invoices that it received from the Office of Personnel Management (OPM) in the interim.² At that time, OPM had not yet calculated the Postal Service's Federal Employees' Retirement System (FERS) liability. The Postal Service committed to updating the record of this proceeding when it received OPM's FERS determination.

This notice is to provide the Commission and other stakeholders with additional accurate, up-to-date information. On September 22, OPM invoiced the Postal Service for its FY2017 FERS amortization payment. OPM calculated the payment as approximately \$0.9 billion. This is higher than the Postal Service anticipated as of March 20, due to changes that OPM's Board of Actuaries made to the actuarial assumptions used to calculate the liability. A copy of the OPM invoice is attached to this notice.

¹ Comments of the United States Postal Service, PRC Docket No. RM2017-3 (Mar. 20, 2017), at 140.

² Notice of Supplemental Information, PRC Docket No. RM2017-3 (Aug. 10, 2017).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 3, 2017



Chief Financial
Officer

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

SEP 22 2017

Joseph Corbett
Chief Financial Officer
Executive Vice President
United States Postal Service
475 L'Enfant Plaza SW – Room 8021
Washington, DC 20260-8021

Dear Mr. Corbett:

The Office of Personnel Management (OPM) is required by statute to make an annual determination of the supplemental liability of the United States Postal Service (USPS) for the Federal Employees' Retirement System (FERS).

Section 8423(b) of Title 5, U.S.C. provides that any supplemental liability under the FERS as of the close of each fiscal year, with respect to current and former employees of the USPS, shall be amortized in 30 equal annual installments. OPM is required to notify USPS of the amount of the installment computed, and USPS shall pay the amount specified in such notification to the Civil Service Retirement and Disability Fund (CSRDF).

OPM has determined that the USPS supplemental liability for FERS under Section 8423(b) of Title 5, U.S.C., is \$10.9 billion as of September 30, 2016. This supplemental liability consists of an actuarial liability of \$124.7 billion as of September 30, 2016, less invested assets of \$109.4 billion (at par value) and less the outstanding balance of \$4.4 billion for past due and future scheduled payments of previous supplemental liabilities. The actuarial liability is determined according to the actuarial assumptions recommended at the June 1, 2017 meeting of the Civil Service Retirement System (CSRS) Board of Actuaries. The actuarial liability is determined according to the actuarial assumptions recommended at the June 1, 2017 meeting of the CSRS Board of Actuaries. These include demographic assumptions and economic assumptions that have been revised from the previous valuation. The long term economic assumptions are: 4.50% interest, 2.50% inflation, and 2.75% general salary increase. For FY 2017 the actual annuitant COLA of 0.3% CSRS and 0.3% FERS is applied in place of the long term COLA assumption. A general salary increase of 2.1% is assumed for FY 2017 in place of the long term general salary increase assumption.

The supplemental liability of \$10.9 billion as of September 30, 2016, results in the establishment of a schedule of 30 equal annual payments of \$669,168,000 beginning on September 30, 2017, as amortized at the valuation interest rate of 4.50%. This schedule of payments is established in addition to the previously established schedules of annual payments totaling \$247,593,000.

30Yr Payment beginning 9/30/2014:	\$6,692,000
+ 30Yr Payment beginning 9/30/2015:	\$234,209,000
+ 30Yr Payment beginning 9/30/2016:	\$6,692,000
+ 30Yr Payment beginning 9/30/2017:	\$669,168,000
Total Annual Payment due 9/30/2017:	\$916,761,000

The total FERS amortization payment due on September 30, 2017 from USPS is \$916,761,000. USPS is required to pay \$916,761,000 to the CSRDF no later than September 30, 2017. In addition, USPS is required to pay \$495,186,000 to the CSRDF for amounts past due from previous fiscal years.

Any questions regarding these matters should be directed to Tonya Johnson, Associate Chief Financial Officer, Financial Services, (202) 606- 1531.

Sincerely,

Dennis Coleman
Chief Financial Officer